

**CHEROKEE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 20
Statement of Cash Flows	H 21
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	I 22
Statement of Change in Fiduciary Net Assets	J 23
Notes to Financial Statements	24-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Non-major Special Revenue Funds:	
Combining Balance Sheet	1 35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 37-38
Fiduciary Funds:	
Combining Statement of Net Assets - Private Purpose Trusts	4 39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Private Purpose Trusts	5 40
Comparison of Taxes and Intergovernmental Revenue	6 41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	42-43
Schedule of Findings	44-45

CHEROKEE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2005 Election)

Laurie Gerstandt	President	2005
Kirk Ebel	Vice President	2007
Laura Dawson		2007
Kirk Sampson		2005
Terri Weaver		2006

(After September, 2005 Election)

Laura Dawson	President	2007
Kirk Ebel	Vice President	2007
Deb Johnson		2008
Kirk Sampson		2008
Terri Weaver		2006

SCHOOL OFFICIALS

John Chalstrom	Superintendent
Joyce Lundsgaard	District Secretary/ Treasurer

Independent Auditor's Report

To the Board of Education of the
Cherokee Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cherokee Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Cherokee Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2006 on our consideration of Cherokee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 34 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherokee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

August 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHEROKEE COMMUNITY SCHOOL DISTRICT

Cherokee Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,375,488 in fiscal year 2005 to \$8,528,177 in fiscal year 2006, while General Fund expenditures increased from \$8,312,101 in fiscal year 2005 to \$8,564,698 in fiscal year 2006.
- The increase in General Fund revenues was primarily attributable to an increase in state foundation aid. The increase in expenditures was due to normal increases in payroll as well as increased utility and fuel costs. The General fund balance decreased slightly due to revenues not keeping pace with higher than expected increases in utilities and fuel. Professional development costs are being paid from additional state funding for that purpose.
- Due to budget planning the district has maintained a solvent financial position.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of Cherokee Community School District as a whole and present an overall view of the District's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cherokee Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cherokee Community School District acts solely as agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Cherokee Community School District

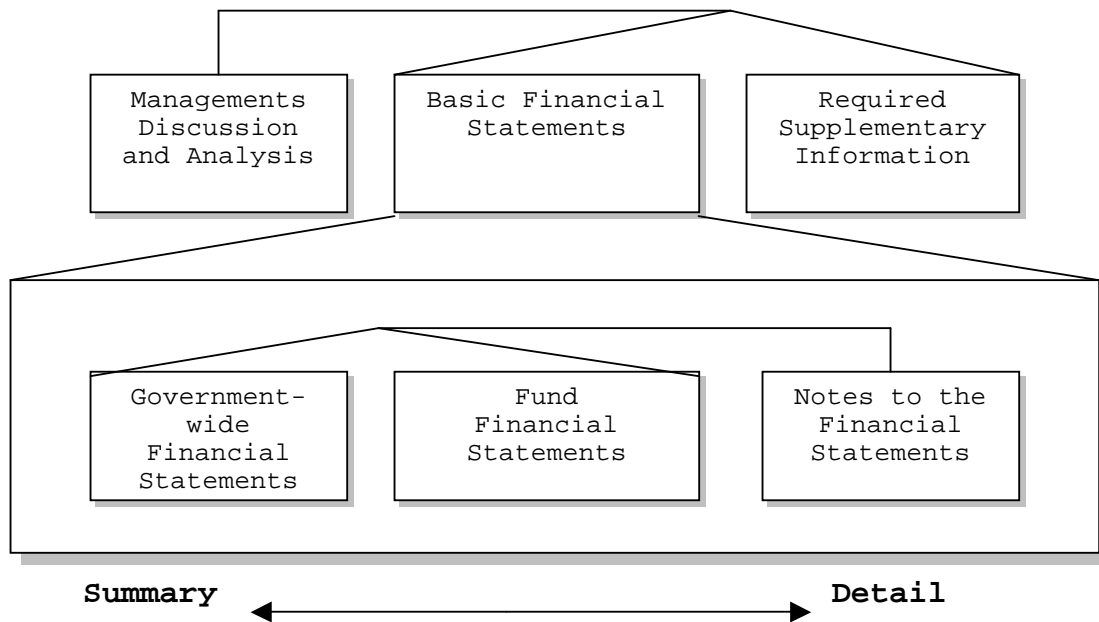


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of Net Assets Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows 	<ul style="list-style-type: none"> Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Fund.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.
- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purpose in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	5,159	5,222	40	44	5,199	5,266	-1.27%
Capital assets	9,114	9,404	62	68	9,176	9,472	-3.13%
Total assets	<u>14,273</u>	<u>14,626</u>	<u>102</u>	<u>112</u>	<u>14,375</u>	<u>14,738</u>	<u>-2.46%</u>
Current liabilities	3,183	3,500	4	2	3,187	3,502	-8.99%
Non-current liabilities	6,147	6,389	-	-	6,147	6,389	-3.79%
Total liabilities	<u>9,330</u>	<u>9,889</u>	<u>4</u>	<u>2</u>	<u>9,334</u>	<u>9,891</u>	<u>-5.63%</u>
Net Assets							
Invested in capital assets, net of related debt	3,504	3,498	62	68	3,566	3,566	0.00%
Restricted	883	535	-	-	883	535	65.05%
Unrestricted	556	704	36	42	592	746	-20.64%
Total net assets	<u>4,943</u>	<u>4,737</u>	<u>98</u>	<u>110</u>	<u>5,041</u>	<u>4,847</u>	<u>4.00%</u>

The District's combined net assets increased by 4%, or approximately \$194,000 over the prior year. The largest portion of the District's net assets is invested in capital assets. Sales tax revenues were greater than expenses by over \$280,000 accounting for the increase.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$150,000 or 21%. This decrease in unrestricted net assets was primarily a result of the decrease in the General Fund balance. Discretionary spending is being closely monitored.

Figure A-4 shows the changes in net assets for the years ended June 30, 2005 and 2006.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	435	416	277	274	712	690	3.19%
Operating grants, contributions and interest and restricted interest	1,346	1,280	216	198	1,562	1,478	5.68%
Capital grants, contributions and restricted interest	-	25	-	-	-	25	-100.00%
General revenues:							
Property tax	3,112	3,509	-	-	3,112	3,509	-11.31%
Income surtax	157	298	-	-	157	298	-47.32%
Local option sales tax	533	470	-	-	533	470	13.40%
Unrestricted state grants	4,448	4,213	-	-	4,448	4,213	5.58%
Unrestricted investment earnings	33	27	-	-	33	27	22.22%
Other	60	124	-	-	60	124	-51.61%
Total revenues	<u>10,124</u>	<u>10,362</u>	<u>493</u>	<u>472</u>	<u>10,617</u>	<u>10,834</u>	<u>-2.00%</u>
Program expenses:							
Governmental activities:							
Instruction	6,321	5,979	-	-	6,321	5,979	5.72%
Support Services	2,563	2,451	-	-	2,563	2,451	4.57%
Non-instructional programs	-	-	505	473	505	473	6.77%
Other expenses	<u>1,034</u>	<u>1,129</u>	<u>-</u>	<u>-</u>	<u>1,034</u>	<u>1,129</u>	<u>-8.41%</u>
Total expenses	<u>9,918</u>	<u>9,559</u>	<u>505</u>	<u>473</u>	<u>10,423</u>	<u>10,032</u>	<u>3.90%</u>
Change in net assets	<u>206</u>	<u>803</u>	<u>(12)</u>	<u>(1)</u>	<u>194</u>	<u>802</u>	<u>-75.81%</u>

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,124,570 and expenses were \$9,918,262.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(expressed in thousands)

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
	\$	\$		\$	\$	
Instruction	6,321	5,979	5.72%	4,902	4,615	6.22%
Support Services	2,563	2,451	4.57%	2,531	2,444	3.56%
Other expenses	<u>1,034</u>	<u>1,129</u>	<u>-8.41%</u>	<u>704</u>	<u>779</u>	<u>-9.63%</u>
Totals	<u>9,918</u>	<u>9,559</u>	<u>3.76%</u>	<u>8,137</u>	<u>7,838</u>	<u>3.81%</u>

- The cost financed by users of the District's programs was \$434,890.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,030,793.
- The net cost of governmental activities was financed with \$3,803,191 in property and other taxes and \$4,447,518 in unrestricted state grants.

Business-Type Activities

Revenues for business type activities were \$492,513 and expenses were \$504,780. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Cherokee Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,942,820, a four percent increase over last year's ending fund balances of \$4,736,512.

Governmental Fund Highlights

- The District's General Fund financial position decreased 3% in fiscal year 2006 due to higher than expected expenses increases. The District has carefully monitored discretionary spending to avoid decreases in fund balances. The preservation of the General Fund balance is especially important in light of the State's decision to remove the budget guarantee.
- The Physical Plant and Equipment Levy (PPEL levy) increased almost \$17,000. The District received over \$530,000 in local option sales tax monies during the year. Over \$270,000 was used for property tax relief.
- The District also had decreased property tax revenue due to an assessment settlement.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased approximately \$12,300 during the fiscal year ending June 30, 2006. The cash balance decreased approximately \$7,000 due to equipment purchases. Depreciation expense totaled over \$13,000.

BUDGETARY HIGHLIGHTS

The District's receipts were \$244,712 lower than budgeted receipts, a variance of 2%. This variance resulted from the District receiving less in state and federal aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$9,176,050, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year was \$449,500.

The original cost of the District's capital assets was \$15,501,451. Governmental funds account for \$15,369,744, with the remainder of \$131,707 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building and improvement categories. The District spent \$103,977 on improvements to buildings and sites during the year.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Land	714	714	-	-	714	714	0.00%
Land improvements	697	768	-	-	697	768	-9.24%
Buildings	7,399	7,520	-	-	7,399	7,520	-1.61%
Furniture and equipment	304	402	62	68	366	470	-22.13%
Totals	9,114	9,404	62	68	9,176	9,472	-3.13%

Long-term Debt

The District has outstanding debt of \$5,610,000 for a Middle School built in 1999. The bond will be fully retired in the year 2018.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The SILO tax was passed in February, 2004 and money was received by the District beginning in September of 2004. These funds will be used for debt reduction resulting in property tax relief for the taxpayers. In 2006, over \$270,000 was used for this purpose.

- The Legislature must provide adequate funding to allow the District to maintain its current programs.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.
- Declining property tax revenue due to assessment settlements.
- Another issue impacting long-term health of the district is declining enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Lundsgaard, District Secretary/Treasurer, Cherokee Community School District, 600 West Bluff, Cherokee, Iowa 51012.

Basic Financial Statements

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	1,630,906	8,442	1,639,348
Receivables:			
Property tax:			
Current year	42,308	-	42,308
Succeeding year	3,139,707	-	3,139,707
Income surtax	146,126	-	146,126
Due from other governments	188,470	-	188,470
Other receivables	10,972	10,619	21,591
Inventories	-	20,965	20,965
Capital assets, net of accumulated depreciation (note 3)	9,114,271	61,779	9,176,050
Total assets	<u>14,272,760</u>	<u>101,805</u>	<u>14,374,565</u>
Liabilities			
Accounts payable	10,949	4,377	15,326
Accrued salary and benefits	11,688	-	11,688
Accrued interest payable	20,939	-	20,939
Deferred revenue:			
Succeeding year property tax	3,139,707	-	3,139,707
Long term liabilities:			
Portion due within one year:			
Early retirement	90,251	-	90,251
Bonds payable (note 4)	365,000	-	365,000
Portion due after one year:			
Early retirement	446,406	-	446,406
Bonds payable (note 4)	5,245,000	-	5,245,000
Total liabilities	<u>9,329,940</u>	<u>4,377</u>	<u>9,334,317</u>
Net assets			
Invested in capital assets, net of related debt	3,504,271	61,779	3,566,050
Restricted for:			
Management levy	35,131	-	35,131
Debt service	31,810	-	31,810
Physical plant and equipment levy	59,181	-	59,181
Capital projects	756,903	-	756,903
Unrestricted	555,524	35,649	591,173
Total net assets	<u>4,942,820</u>	<u>97,428</u>	<u>5,040,248</u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:	6,321,402	434,890	984,682	(4,901,830)	-	(4,901,830)
Support services:						
Student services	279,333	-	-	(279,333)	-	(279,333)
Instructional staff services	208,404	-	-	(208,404)	-	(208,404)
Administration services	1,039,176	-	-	(1,039,176)	-	(1,039,176)
Operation and maintenance of plant services	766,771	-	32,668	(734,103)	-	(734,103)
Transportation services	269,738	-	-	(269,738)	-	(269,738)
	2,563,422	-	32,668	(2,530,754)	-	(2,530,754)
Other expenditures:						
Interest on long-term debt	266,667	-	2,477	(264,190)	-	(264,190)
Long-term debt services	400	-	-	(400)	-	(400)
Facilities acquisition and construction	3,778	-	-	(3,778)	-	(3,778)
AEA flowthrough	326,372	-	326,372	-	-	-
Depreciation (unallocated)*	436,221	-	-	(436,221)	-	(436,221)
	1,033,438	-	328,849	(704,589)	-	(704,589)
Total governmental activities	9,918,262	434,890	1,346,199	(8,137,173)	-	(8,137,173)

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues				
		Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses	Charges for Service				
\$	\$	\$	\$	\$	\$
Business type activities:					
Non-instructional programs:					
Nutrition services	504,780	276,971	215,542	-	(12,267)
Total	10,423,042	711,861	1,561,741	(8,137,173)	(12,267)
General revenues:					
Property tax levied for:					
General purposes			2,349,349	-	2,349,349
Management fund			243,499	-	243,499
Capital outlay			164,621	-	164,621
Debt service			355,633	-	355,633
Income surtax			157,199	-	157,199
School infrastructure local option sales tax			532,890	-	532,890
Unrestricted state grants			4,447,518	-	4,447,518
Unrestricted investment earnings			33,043	-	33,043
Other			59,729	-	59,729
Total general revenue			8,343,481	-	8,343,481
Change in net assets			206,308	(12,267)	194,041
Net assets beginning of year			4,736,512	109,695	4,846,207
Net assets end of year			4,942,820	97,428	5,040,248

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	796,680	27,069	665,179	141,978	1,630,906
Receivables:					
Property tax:					
Current year	32,051	4,741	-	5,516	42,308
Succeeding year	2,580,867	31,468	-	527,372	3,139,707
Income surtax	146,126	-	-	-	146,126
Due from other governments	96,746	-	91,724	-	188,470
Other receivables	10,972	-	-	-	10,972
Total assets	3,663,442	63,278	756,903	674,866	5,158,489
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	10,949	-	-	-	10,949
Accrued salary and benefits	11,688	-	-	-	11,688
Deferred revenue:					
Succeeding year property tax	2,580,867	31,468	-	527,372	3,139,707
Income surtax	146,126	-	-	-	146,126
Total liabilities	2,749,630	31,468	-	527,372	3,308,470
Fund balances:					
Reserved for debt services	-	31,810	-	-	31,810
Reserved for capital projects	-	-	756,903	-	756,903
Unreserved, designated for special purposes	502,484	-	-	-	502,484
Unreserved, undesignated	411,328	-	-	147,494	558,822
Total fund balances	913,812	31,810	756,903	147,494	1,850,019
Total liabilities and fund balances	3,663,442	63,278	756,903	674,866	5,158,489

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (Exhibit C)			\$ 1,850,019
Amounts reported for governmental activities in the statement of net assets are different because:			
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.			146,126
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			9,114,271
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.			(20,939)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Early retirement payable	\$ (536,657)		
Bonds payable	<u>(5,610,000)</u>	<u>(6,146,657)</u>	
Net assets of governmental activities (Exhibit A)			<u>\$ 4,942,820</u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,506,548	355,633	532,890	408,120	3,803,191
Tuition	412,713	-	-	-	412,713
Other	131,470	2,077	23,180	273,628	430,355
State sources	5,198,914	400	-	465	5,199,779
Federal sources	278,532	-	-	-	278,532
Total revenues	<u>8,528,177</u>	<u>358,110</u>	<u>556,070</u>	<u>682,213</u>	<u>10,124,570</u>
Expenditures:					
Instruction:	<u>5,745,817</u>	<u>-</u>	<u>-</u>	<u>468,094</u>	<u>6,213,911</u>
Support services					
Student services	279,333	-	-	-	279,333
Instructional staff services	208,404	-	-	-	208,404
Administration services	1,034,697	-	-	4,479	1,039,176
Operation and maintenance of plant services	714,199	-	-	52,572	766,771
Transportation services	256,146	-	-	19,692	275,838
	<u>2,492,779</u>	<u>-</u>	<u>-</u>	<u>76,743</u>	<u>2,569,522</u>
Other expenditures:					
Long-term debt:					
Principal	-	350,000	-	-	350,000
Interest	-	268,067	-	-	268,067
Services	-	400	-	-	400
Facilities acquisition and construction	-	-	-	143,756	143,756
AEA flowthrough	326,372	-	-	-	326,372
	<u>326,372</u>	<u>618,467</u>	<u>-</u>	<u>143,756</u>	<u>1,088,595</u>
Total expenditures	<u>8,564,968</u>	<u>618,467</u>	<u>-</u>	<u>688,593</u>	<u>9,872,028</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,791)</u>	<u>(260,357)</u>	<u>556,070</u>	<u>(6,380)</u>	<u>252,542</u>
Other financing sources (uses):					
Operating transfers in	-	272,234	-	-	272,234
Operating transfers out	-	-	(272,234)	-	(272,234)
Total other financing sources	<u>-</u>	<u>272,234</u>	<u>(272,234)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(36,791)	11,877	283,836	(6,380)	252,542
Fund balances beginning of year	<u>950,603</u>	<u>19,933</u>	<u>473,067</u>	<u>153,874</u>	<u>1,597,477</u>
Fund balances end of year	<u>913,812</u>	<u>31,810</u>	<u>756,903</u>	<u>147,494</u>	<u>1,850,019</u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ 252,542

**Amounts reported for governmental activities in the statement of
activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 146,078	
Depreciation expense	<u>(436,221)</u>	(290,143)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	1,400
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	350,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>(107,491)</u>
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Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 206,308</u></u>
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CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2006

	<u>School Nutrition</u>
	\$
Operating revenue:	
Local sources:	
Charges for services	<u>276,971</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	152,673
Benefits	71,498
Services	7,395
Supplies	259,310
Other	625
Depreciation	<u>13,279</u>
Total operating expenses	<u>504,780</u>
Operating (loss)	<u>(227,809)</u>
Non-operating revenues:	
Interest on investments	153
State sources	5,601
Federal sources	<u>209,788</u>
	<u>215,542</u>
Net income	(12,267)
Net assets beginning of year	<u>109,695</u>
Net assets end of year	<u><u>97,428</u></u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	275,955
Cash payments to employees for services	(224,171)
Cash payments to suppliers for goods or services	<u>(237,387)</u>
Net cash (used in) operating activities	<u>(185,603)</u>
Cash flows from non-capital financing activities:	
State grants received	5,601
Federal grants received	<u>180,493</u>
Net cash provided by non-capital financing activities	<u>186,094</u>
Cash flows from capital financing activities:	
Acquisition of fixed assets	(7,265)
Cash flows from investing activities:	
Interest on investments	<u>153</u>
Net increase in cash and cash equivalents	(6,621)
Cash and cash equivalents beginning of year	<u>15,063</u>
Cash and cash equivalents end of year	<u><u>8,442</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(227,809)
Adjustments to reconcile operating profit (loss) to net cash to net cash provided by (used in) operating activities:	
Depreciation	13,279
Commodities used	29,295
(Increase) in other receivables	(1,016)
(Increase) in inventory	(1,038)
Increase in accounts payable	<u>1,686</u>
	<u><u>(185,603)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>8,442</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received federal commodities valued at \$29,295.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trusts
	<u>\$</u>
Assets	
Cash and pooled investments	<u>49,659</u>
Total assets	<u>49,659</u>
Net Assets	
Reserved for special purposes	<u>49,659</u>
Total net assets	<u><u>49,659</u></u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose <u>Trusts</u> \$
Additions:	
Local sources:	
Interest on investments	1,319
Contributions	<u>13,850</u>
Total additions	<u>15,169</u>
Deductions:	
Support services:	
Other	<u>19,496</u>
Total deductions	<u>19,496</u>
Change in net assets	(4,327)
Net assets beginning of year	<u>53,986</u>
Net assets end of year	<u><u>49,659</u></u>

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Cherokee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Cherokee, Iowa, and agricultural territory in Cherokee County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards board.

A. Reporting Entity

For financial reporting purposes, Cherokee Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Cherokee Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cherokee County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals and academic programs through scholarship awards and grants.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the non-instructional and other expenditures functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>714,434</u>	<u>-</u>	<u>-</u>	<u>714,434</u>
Capital assets being depreciated:				
Land Improvements	1,665,885	6,538	-	1,672,423
Buildings	10,614,530	97,439	-	10,711,969
Furniture and Equipment	<u>2,228,817</u>	<u>42,101</u>	<u>-</u>	<u>2,270,918</u>
Total capital assets being depreciated	<u>14,509,232</u>	<u>146,078</u>	<u>-</u>	<u>14,655,310</u>
Less accumulated depreciation for:				
Land Improvements	897,931	77,985	-	975,916
Buildings	3,094,384	218,369	-	3,312,753
Furniture and Equipment	<u>1,826,937</u>	<u>139,867</u>	<u>-</u>	<u>1,966,804</u>
Total accumulated depreciation	<u>5,819,252</u>	<u>436,221</u>	<u>-</u>	<u>6,255,473</u>
Total capital assets being depreciated, net	<u>8,689,980</u>	<u>(290,143)</u>	<u>-</u>	<u>8,399,837</u>
Governmental activities, capital assets, net	<u>9,404,414</u>	<u>(290,143)</u>	<u>-</u>	<u>9,114,271</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	124,442	7,265	-	131,707
Less accumulated depreciation	<u>56,649</u>	<u>13,279</u>	<u>-</u>	<u>69,928</u>
Business type activities capital assets, net	<u>67,793</u>	<u>(6,014)</u>	<u>-</u>	<u>61,779</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>436,221</u>
Business Type activities:				
Food service operations				<u>13,279</u>

(4) Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u> \$	<u>Principal</u> \$	<u>Interest</u> \$	<u>Total</u> \$
2007	4.80	365,000	251,268	616,268
2008	4.80	380,000	233,748	613,748
2009	4.10	400,000	215,508	615,508
2010	4.20	415,000	199,108	614,108
2011	4.25	435,000	181,678	616,678
2012	4.30	450,000	163,192	613,192
2013	4.30	470,000	143,840	613,840
2014	4.40	490,000	123,630	613,630
2015	4.50	515,000	102,070	617,070
2016	4.60	535,000	78,896	613,896
2017	4.70	565,000	54,286	619,286
2018	4.70	<u>590,000</u>	<u>27,730</u>	<u>617,730</u>
Total		<u>\$5,610,000</u>	<u>1,774,954</u>	<u>7,384,954</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	<u>Bonds Payable</u> \$
Balance beginning of year	5,960,000
Additions	-
Reductions	<u>330,000</u>
Balance end of year	<u>5,610,000</u>

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$5,960,000
Additions	-
Reductions	<u>330,000</u>
Balance end of year	<u>\$5,610,000</u>

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u> \$	<u>Principal</u> \$	<u>Interest</u> \$	<u>Total</u> \$
2007	4.80	365,000	251,268	616,268
2008	4.80	380,000	233,748	613,748
2009	4.10	400,000	215,508	615,508
2010	4.20	415,000	199,108	614,108
2011	4.25	435,000	181,678	616,678
2012	4.30	450,000	163,192	613,192
2013	4.30	470,000	143,840	613,840
2014	4.40	490,000	123,630	613,630
2015	4.50	515,000	102,070	617,070
2016	4.60	535,000	78,896	613,896
2017	4.70	565,000	54,286	619,286
2018	4.70	<u>590,000</u>	<u>27,730</u>	<u>617,730</u>
Total		<u>\$5,610,000</u>	<u>1,774,954</u>	<u>7,384,954</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$312,546, \$306,631, and \$305,632 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$326,372 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2006 totaled \$88,654.

(9) Risk Management

Cherokee Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

CHEROKEE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,646,259	277,124	4,923,383	5,021,032	5,021,032	(97,649)
State sources	5,199,779	5,601	5,205,380	5,350,763	5,350,763	(145,383)
Federal sources	278,532	209,788	488,320	490,000	490,000	(1,680)
Total revenues	<u>10,124,570</u>	<u>492,513</u>	<u>10,617,083</u>	<u>10,861,795</u>	<u>10,861,795</u>	<u>(244,712)</u>
Expenditures:						
Instruction	6,213,911	-	6,213,911	6,752,976	6,752,976	539,065
Support services	2,569,522	-	2,569,522	2,784,397	2,784,397	214,875
Non-instructional programs	-	504,780	504,780	457,956	457,956	(46,824)
Other expenditures	1,088,595	-	1,088,595	1,082,690	1,082,690	(5,905)
Total expenditures	<u>9,872,028</u>	<u>504,780</u>	<u>10,376,808</u>	<u>11,078,019</u>	<u>11,078,019</u>	<u>701,211</u>
Excess of revenues over (under) expenditures	252,542	(12,267)	240,275	(216,224)	(216,224)	456,499
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	252,542	(12,267)	240,275	(216,224)	(216,224)	456,499
Balance beginning of year	<u>1,597,477</u>	<u>109,695</u>	<u>1,707,172</u>	<u>1,240,348</u>	<u>1,240,348</u>	<u>466,824</u>
Balance end of year	<u><u>1,850,019</u></u>	<u><u>97,428</u></u>	<u><u>1,947,447</u></u>	<u><u>1,024,124</u></u>	<u><u>1,024,124</u></u>	<u><u>923,323</u></u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the non-instructional and other expenditures functions exceeded the amounts budgeted. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	31,809	53,182	56,987	141,978
Property tax receivable:				
Current year	3,322	-	2,194	5,516
Succeeding year	<u>350,000</u>	<u>-</u>	<u>177,372</u>	<u>527,372</u>
Total assets	<u><u>385,131</u></u>	<u><u>53,182</u></u>	<u><u>236,553</u></u>	<u><u>674,866</u></u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>350,000</u>	<u>-</u>	<u>177,372</u>	<u>527,372</u>
Fund equity:				
Unreserved fund balances	<u>35,131</u>	<u>53,182</u>	<u>59,181</u>	<u>147,494</u>
Total liabilities and fund balances	<u><u>385,131</u></u>	<u><u>53,182</u></u>	<u><u>236,553</u></u>	<u><u>674,866</u></u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2006

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	243,499	-	164,621	408,120
Other	7,042	264,605	1,981	273,628
State sources	280	-	185	465
Total revenues	<u>250,821</u>	<u>264,605</u>	<u>166,787</u>	<u>682,213</u>
Expenditures:				
Instruction:				
Regular instruction	200,444	-	-	200,444
Co-curricular instruction	-	267,650	-	267,650
Support services:				
Administration	4,479	-	-	4,479
Plant operation and maintenance	52,572	-	-	52,572
Student transportation services	13,592	-	6,100	19,692
Other expenditures:				
Facilities acquisition and construction	-	-	143,756	143,756
Total expenditures	<u>271,087</u>	<u>267,650</u>	<u>149,856</u>	<u>688,593</u>
Excess (Deficiency) of revenues over (under) expenditures	(20,266)	(3,045)	16,931	(6,380)
Fund balances beginning of year	<u>55,397</u>	<u>56,227</u>	<u>42,250</u>	<u>153,874</u>
Fund balances end of year	<u>35,131</u>	<u>53,182</u>	<u>59,181</u>	<u>147,494</u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	-	2,413	2,413	-
Speech	-	3,366	3,366	-
Debate	45	2,357	2,402	-
Music	-	1,658	1,658	-
WHS Vocal Fundraising	8,431	-	7,716	715
WHS Band	-	3,993	3,993	-
Cross Country	-	1,801	1,801	-
Weightlifting	2,456	4,591	6,827	220
Boys Basketball	-	2,195	2,195	-
Boys Basketball Fundraiser	396	-	80	316
Football	-	6,622	6,622	-
Football Fundraiser	-	9,231	8,815	416
Baseball	-	6,363	6,363	-
Baseball Fundraiser	532	4,745	4,916	361
Boys Track	-	3,635	3,635	-
Boys Tennis	-	251	251	-
Boys Golf	-	1,092	1,092	-
Wrestling	-	8,568	8,568	-
Girls Basketball	-	6,396	6,396	-
Volleyball	-	3,900	3,900	-
Volleyball Fundraiser	2,017	13,169	12,491	2,695
Girls Softball	-	7,780	7,780	-
Girls Track	161	4,720	4,881	-
Girls Tennis	-	211	211	-
Girls Golf	-	1,487	1,487	-
Cherokeean	-	12,582	11,854	728
National Honor Society	-	1,428	1,428	-
Drug Free Lifestyles	-	1,046	-	1,046
Cheerleaders	1,214	3,939	3,042	2,111
Art Club	8,869	5,314	3,793	10,390
Student Council	4,683	6,762	4,826	6,619
Concessions	497	16,112	16,192	417
FCCLA	809	1,260	1,096	973
Orchestra	878	-	73	805
German Club	12,385	13,994	18,887	7,492
Spanish Club	640	2,503	2,017	1,126

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
FFA	1,280	63	296	1,047
Culinary Arts	2,074	6,442	6,410	2,106
Special Athletes	1,375	-	711	664
School to Work	33	-	-	33
Drill Team	470	551	1,021	-
WHS Work Study	614	100	117	597
Class of 2006	1,176	92	1,268	-
Class of 2007	490	15,178	15,362	306
Class of 2008	224	521	22	723
Class of 2009	-	520	374	146
Interest on Investments	327	1,127	1,454	-
WHS Athletics	-	9,472	9,472	-
WHS Activities - Ticket Sales	-	43,065	43,065	-
WHS Athletic Pop & Juice	534	3,723	3,145	1,112
WHS Safety Glasses and Padlocks	445	430	875	-
7th/8th Student Council	1,682	1,575	1,458	1,799
5th/6th Student Council	409	-	-	409
CMS Athletics	-	4,981	4,981	-
Middle School Volleyball	286	410	410	286
CMS Band	487	1,326	-	1,813
CMS Vocal	-	1,777	1,051	726
CMS Activity Resale	6	1,506	1,491	21
CMS Science Club	302	-	241	61
CMS Hoops Festival	-	6,262	1,359	4,903
	<u>56,227</u>	<u>264,605</u>	<u>267,650</u>	<u>53,182</u>
Total				

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2006

	Coop Learning	Interest Account	Student Health	Thomas Account	Student Scholarship Fund	Vera Pratt Memorial	Totals
	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash and pooled investments	<u>2,874</u>	<u>8,202</u>	<u>1,001</u>	<u>26,323</u>	<u>4,775</u>	<u>6,484</u>	<u>49,659</u>
	<u>2,874</u>	<u>8,202</u>	<u>1,001</u>	<u>26,323</u>	<u>4,775</u>	<u>6,484</u>	<u>49,659</u>
Net assets							
Reserved for special purposes	<u>2,874</u>	<u>8,202</u>	<u>1,001</u>	<u>26,323</u>	<u>4,775</u>	<u>6,484</u>	<u>49,659</u>
	<u>2,874</u>	<u>8,202</u>	<u>1,001</u>	<u>26,323</u>	<u>4,775</u>	<u>6,484</u>	<u>49,659</u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Net Assets
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2006

	Coop Learning	Interest Account	Student Health	Thomas Account	Student Scholarship Fund	Vera Pratt Memorial	Total
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Interest on investments	-	952	-	-	-	367	1,319
Contributions	-	-	-	7,000	6,850	-	13,850
	<u>-</u>	<u>952</u>	<u>-</u>	<u>7,000</u>	<u>6,850</u>	<u>367</u>	<u>15,169</u>
Expenditures:							
Instruction:							
Regular instruction:							
Other	-	-	-	12,046	7,250	200	19,496
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,046</u>	<u>7,250</u>	<u>200</u>	<u>19,496</u>
Excess (deficiency) of revenues over (under) expenditures	-	952	-	(5,046)	(400)	167	(4,327)
Balance beginning of year	<u>2,874</u>	<u>7,250</u>	<u>1,001</u>	<u>31,369</u>	<u>5,175</u>	<u>6,317</u>	<u>53,986</u>
Balance end of year	<u><u>2,874</u></u>	<u><u>8,202</u></u>	<u><u>1,001</u></u>	<u><u>26,323</u></u>	<u><u>4,775</u></u>	<u><u>6,484</u></u>	<u><u>49,659</u></u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

For the Last Four Years

	Years ended June 30,			
	2006	2005	2004	2003
	\$	\$	\$	\$
Local sources:				
Local tax:				
Property tax	3,108,167	3,504,344	3,565,273	3,670,664
Mobile home tax	4,935	5,276	6,553	6,602
Income surtax	157,199	151,497	146,603	149,249
School infrastructure local option sales tax	532,890	469,873	-	-
	<u>3,803,191</u>	<u>4,130,990</u>	<u>3,718,429</u>	<u>3,826,515</u>
State sources:				
State foundation aid	4,447,518	4,209,936	4,018,889	4,237,318
School improvement and technology	-	-	-	27,819
AEA flow through	326,372	318,596	323,297	350,192
Instructional support	21,172	22,832	24,164	-
Shelter care/juvenile home	-	-	23,368	8,980
Educational excellence program:				
Phase I	18,542	18,542	18,609	20,190
Phase II	87,785	87,910	90,110	96,268
Phase III	-	-	-	23,920
Non-public transportation aid	974	446	890	846
At risk program	21,000	75,372	60,482	49,918
Vocational education aid	-	4,695	10,663	9,294
Iowa Early Intervention Block Grant	67,426	67,226	68,613	73,525
Revenue in lieu of taxes - military credit	3,563	3,967	3,576	3,561
Teacher mentoring program	9,100	10,400	10,400	10,400
Evaluator training	-	-	3,000	3,000
Three and Four Year Old Grant	48,482	-	-	-
Professional development	36,559	-	-	-
Teacher quality/salary improvement	111,286	95,235	88,528	81,098
	<u>5,199,779</u>	<u>4,915,157</u>	<u>4,744,589</u>	<u>4,996,329</u>
Federal sources:				
Title I Grants to Local Educational Agencies	110,447	123,182	121,949	144,530
Safe and Drug Free Schools - State Grant	4,685	1,141	5,762	5,011
Improving Teacher Quality - Grants to States	36,705	38,506	38,639	39,952
Innovative Education Program Strategies	3,665	5,602	5,598	5,817
Title XIX Assistance Program	-	-	1,311	1,685
Vocational Education - Basic Grant	55,416	58,908	60,765	59,944
Iowa Demonstration Construction Grant	-	-	200,000	-
Fire/Life Safety Grant	-	25,000	-	-
Grants for Assessments and Related Activities	6,702	6,708	12,496	-
Special Education - Grants to States				
Success 4	3,487	1,624	15,199	23,550
IDEA Part B	57,425	54,307	44,433	28,181
	<u>278,532</u>	<u>314,978</u>	<u>506,152</u>	<u>308,670</u>
Total	<u>9,281,502</u>	<u>9,361,125</u>	<u>8,969,170</u>	<u>9,131,514</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Cherokee Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Cherokee Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 30, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cherokee Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cherokee Community School District and other parties to whom Cherokee Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cherokee Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

August 30, 2006

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

06-I-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

06-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-II-B Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the amended certified budget amounts in the non-instructional programs and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

06-II-C Questionable Disbursements - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

06-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

- 06-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 06-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 06-II-H Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 06-II-I Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 06-II-J Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.